

Chapter 3

Changes in Self-Employment as Small Business

Synopsis

One important small business development in recent years has been the increase in the number of people who are self-employed. During the period from 1970 to 1994, the nonfarm self-employed increased more than 72 percent to 9 million persons. If a broader definition of self-employment is used, 13.1 percent of all workers consider themselves self-employed on a full-time or part-time basis.

The businesses owned by the self-employed are usually very small (although many have employees) and represent a wide variety of endeavors—from part-time efforts of wage-and-salary workers to established independent firms employing many people. This chapter documents the growth in self-employment and examines the success of women, minorities and veterans in becoming self-employed.

The self-employed—the smallest businesses—are major contributors to the economy. Nonfarm sole proprietors had receipts of about \$757 billion in 1993. Moreover, self-employment opportunities provide flexibility and adaptability in the economy, generate new services and products, and add to the nation's productive capacity. Self-employment also serves as an important training ground for the nation's entrepreneurs as they identify new business areas.

The growth of self-employment is the result of numerous factors: economic conditions, the availability of opportunities for wage-and-salary employment, the effects of the tax code on business formation, identification by entrepreneurs of unexploited opportunities, workers' dissatisfaction with wage-and-salary jobs, and entrepreneurs' desire to supplement other income.

The fastest growing segment of the self-employed—the incorporated self-employed—registered an increase of more than 32 percent between March 1988 and March 1994. "Moonlighters"—wage-and-salary workers with self-employment on the side—declined by almost 4 percent during this period. This decline was less than the near 9 percent between 1983 and 1988, but a sharp reversal of the 438 percent increase evident during the 1979–1983 period—a period characterized by a major recession.

The characteristics of the self-employed and wage-and-salary workers differ. The self-employed are substantially older and are better educated on average. Typically, the income of the self-employed varies widely, with a significant number of individuals in both high- and low-income categories. Generally, they earn less than their counterparts in paid employment; an exception is incorporated business owners, who earn more than their paid counterparts. About 10 percent of all business owners earn less than the minimum wage, which suggests that they receive considerable amounts of implicit income or nonmonetary benefits, expect relatively higher future incomes, and place a high value on being self-employed.

Between 1988 and 1994, the number of African-American entrepreneurs increased by almost 37 percent, while women had gains of more than 26 percent. Women are much less likely than men to operate a full-time business, suggesting that women go into business on a part-time basis because it offers the flexibility and adaptability to combine work and family responsibilities.

Introduction

Self-employment continues to be an important alternative to wage-and-salary employment in the United States.¹ These smallest businesses are major contributors to the economy: nonfarm sole proprietors had business receipts of about \$757 billion in 1993.²

Self-employment opportunities make the economy more flexible, generate new services and products, and add to the nation's productive capacity. Self-employment also serves as a training ground for many of the nation's entrepreneurs and is an important first step in small business formation and growth.³

Many factors contribute to the growth of self-employment, including growth in the labor supply that is not readily accommodated by wage-and-salary employment, the identification by entrepreneurs of unexploited opportunities, the perception of opportunities for greater financial return, dissatisfaction with wage-and-salary jobs, the need to supplement other income, and a desire to work independently.⁴

¹ This chapter updates the analysis of self-employment presented in *The State of Small Business: A Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1986), Chapter 4.

² Special tabulations by the U.S. Department of the Treasury, Internal Revenue Service, for the U.S. Small Business Administration, Office of Advocacy, 1996.

³ Not only do the self-employed create their own jobs as business owners, but they create jobs by hiring workers. One estimate is that about 25 percent of workers in nonagricultural industries found employment with a business owner who was self-employed in a sole proprietorship, partnership, or corporation. See Sheldon E. Haber, Enrique J. Lamas, and Jules H. Lichtenstein, "On Their Own: The Self-Employed and Others in Private Business," *Monthly Labor Review* (May 1987), 21–22.

⁴ Tax considerations, including differential Social Security tax rates and the deductibility of business expenses, are an important element of the financial calculation. For a comprehensive discussion of the determinants of self-employment, see Robert L. Aronson, *Self-Employment: A Labor Market Approach* (Ithaca, N.Y.: ILR Press, 1991).

The recent growth in two-income families may also be a contributing factor. Self-employment, especially on a part-time basis, may allow a worker the flexibility to manage household responsibilities while earning an income.

Growth in Self-Employment

After World War II, the number of nonagricultural self-employed workers actually declined, from 6.1 million in 1948 to 5.2 million in 1970.⁵ Since 1970, however, self-employment has increased almost every year, reaching 9 million in 1993, an increase of more than 72 percent (Table 3.1).⁶ This increase occurred in the context of a steadily expanding labor force and a fluctuating supply of wage-and-salary jobs. As a percentage of the civilian labor force, self-employment increased from 6.3 percent in 1970 to 6.9 percent in 1994.⁷

The unincorporated self-employed population grew at a fairly steady pace in the 1983–1988 and 1988–1994 periods, averaging around 9 percent over each period (Table 3.2). These rates exceeded the growth in the number of wage-and-salary workers from 1988 to 1994, but fell short of the wage-and-salary growth rate from 1983 to 1988. Wage-and-salary work may grow faster than self-employment coming out of a recession (1983) because existing firms are quicker to add workers than individuals are to start new firms.

Broader Measures of Self-Employment: Expanding the Census Definition

While Census data have documented growth in self-employment over the last decade and a half, the actual extent of entrepreneurial activity may have been understated in published data sources.⁸

⁵ The trends in agricultural and nonagricultural self-employment have been very different. Agricultural self-employment, which has been decreasing for decades, continued to decline through the mid-1970s. Since 1976, it has held steady at about 1.6 million. This chapter focuses on nonagricultural business.

⁶ Self-employed persons are officially defined in terms of employment status by the Bureau of the Census in its Current Population Survey (CPS) and decennial Census as those who work full-time or part-time for a profit or fees in their own unincorporated business, profession, or trade, or operate a farm. The unincorporated self-employed include sole proprietors and partners.

⁷ The civilian labor force consists of the total of all civilians classified as either employed or unemployed.

⁸ The Bureau of the Census, in the Current Population Survey (CPS), defines the nonfarm self-employed as those who work full-time or part-time for a profit or fees in their own unincorporated business, profession, or trade. This official definition is limited in that it:

- includes both sole proprietors and partners, but does not distinguish between them;
- excludes incorporated businesses, which are tabulated as wage-and-salary workers because legally they are employees of the business they operate;
- excludes wage-and-salary workers who report self-employment as a secondary activity because only one type of employment is recorded per individual;
- does not report multiple businesses operated by one individual; and
- does not distinguish between full-time and part-time self-employment.

Table 3.1 *Labor Force, Employment, and Self Employment, Absolute Levels and Percent Changes, 1970–1994*

Year	Unincorporated Self-Employed		Civilian Labor Force		
	Number Thousands)	Annual Percentage Change	Number (Thousands)	Annual Percentage Change	Unemployment Rate (Percent)
1994	9,003	0.0	131,056	2.4	6.1
1993	9,003	4.5	128,040	0.8	6.8
1992	8,619	−3.1	126,982	1.3	7.4
1991	8,899	1.6	125,303	0.4	6.7
1990	8,760	1.8	124,787	0.7	5.5
1989	8,605	1.0	123,869	1.8	5.3
1988	8,519	3.9	121,669	1.5	5.5
1987	8,201	4.1	119,865	1.7	6.2
1986	7,881	0.9	117,834	2.1	7.0
1985	7,811	0.3	115,461	1.7	7.2
1984	7,785	—	113,544	—	7.5
1980	7,000	—	106,940	—	7.1
1975	5,705	—	93,770	—	8.5
1970	5,221	—	82,771	—	4.9

¹Unincorporated self-employed.

Source: *Statistical Abstract of the United States*, various issues.

Table 3.2 *Average Annual Change in Employment in Nonagricultural Industries, May 1983–March 1988 and March 1988–March 1994 (Percent)*

Class of Worker	1983–1988	1988–1994
Unincorporated Self-Employed (USE)	1.68	1.53
Wage-and-Salary Workers (WS)	2.99	1.09
Incorporated Self-Employed (ISE)	3.04	5.92
Wage-and-Salary Workers Only (WSO)	3.1	1.00
Wage-and-Salary Workers with Self-Employment (WSSE)	−1.71	−0.59

Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988 and March 1994. Data for 1983 are taken from *The State of Small Business: A Report of the President* (Washington, D.C.: U.S. Government Printing Office, 1986).

One way to look at the self-employed is to examine the different legal forms of ownership: sole proprietorships, partnerships and corporations.⁹ Published Census data on the self-employed cover only unincorporated self-employment, which includes, but does not distinguish between, sole proprietorships and partnerships. It is possible, however, to obtain information on incorporated self-employment from unpublished Current Population Survey (CPS) data.¹⁰ Data from the 1994 CPS permit a definition of business ownership that includes the incorporated self-employed (ISE) and wage-and-salary workers with a side business (WSSE or “moonlighters”) along with the unincorporated self-employed (USE).¹¹

Under this broader definition of business ownership, 13.1 percent of nonagricultural jobholders in March 1994, or 15.4 million persons, engaged in some form of entrepreneurial activity (Table 3.3).¹² Total self-employment as a proportion of total employment increased from 12.5 percent to 13.1 percent between 1988 and 1994 after falling from 13.5 percent in 1983.¹³

General trends in the growth of self-employment, broadly defined, can be tracked between 1988 and 1994—a period of economic contraction when the unemployment rate rose from about 5.5 percent to 6.1 percent—and between 1983 and 1988—a period marked by a sharp expansion and a decline in the unemployment rate from about 7 percent to 5.5 percent (Table 3.1).

⁹ For an analysis of the impact of taxes on the choice of legal form of business, see George A. Plesko, *Taxes and the Choice of Entity for Small Business*, report no. PB95-239906, prepared by George A. Plesko for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1994).

¹⁰ Data on businesses by legal form of ownership can be obtained from other sources, including the *Statistics of Income* compiled by the Internal Revenue Service. These data are not directly comparable to the Census data on self-employment because of different measurement and collection techniques. The Internal Revenue Service identifies the legal form of business ownership and estimates the number of sole proprietorships—that is, the number of unincorporated, one-owner businesses, farms, and professional practices, which range from large enterprises with many employees and hired managers to part-time operations in which the owner is the only person involved. These estimates are derived from a sample of individual income tax returns (Form 1040) filed with sole proprietorship business schedules (Schedule C) attached. Most self-employed (based on the Census definition) are sole proprietors and file a Schedule C. For a further description of the relationship between IRS and Census data, see the appendix to this chapter.

¹¹ The unincorporated self-employed (USE) can be further separated into two categories: those who are self-employed only (SEO), and those who are self-employed and also have wage-and-salary employment (SEWS). The analysis in this chapter is based on recent research and tabulations of unpublished March 1988 and March 1994 CPS data by Carolyn Looft, *Changing Characteristics of the Self-Employed*, report no. PB96-197785, prepared by Carolyn Looft and Associates for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1996).

¹² “Entrepreneur” or “entrepreneurial activity” refers in this chapter to the self-employed or self-employment.

¹³ The Census Bureau’s 1994 estimate of self-employment is 7.6 percent of employment or 8.9 million persons. It does not include wage-and-salary workers who own a side business (2.2 percent of nonagricultural employment and 2.1 percent of business owners in 1994) and the incorporated self-employed (3.4 percent of nonagricultural employment and 20.1 percent of business owners). Most of the change reflected here came from growth in the number of incorporated self-employed workers. Between 1983 and 1994, the proportion of all workers in the USE and WSSE categories fell, while the proportion of ISE workers grew.

Table 3.3 *Distribution of Employment in Nonagricultural Industries by Class of Worker, March 1988 and March 1994*

Class of Worker	March 1988		March 1994	
	Number (Thousands)	Percent of Total Employment	Number (Thousands)	Percent of Total Employment
Total Nonagricultural Employment	109,578	100.0	116,830	100.0
Unincorporated Self-Employed (USE)	8,112	7.4	8,856	7.6
Self-Employed Only (SEO)	6,757	6.2	7,361	6.3
Self-Employed with Wage-and-Salary Employment (SEWS)	1,355	1.2	1,496	1.3
Wage-and-Salary Workers (WS)	101,215	92.4	107,843	92.3
Incorporated Self-Employed (ISE)	2,984	2.7	3,955	3.4
Wage-and-Salary Workers Only (WSO)	95,599	87.2	101,349	86.7
Wage-and-Salary Workers with Self-Employment (WSSE)	2,632	2.4	2,539	2.2
Unpaid Family Workers	251	0.2	130	0.1
Total Self-Employed (SE)	13,728	12.5	15,350	13.1
Unincorporated Self-Employed (USE)	8,112	7.4	8,856	7.6
Incorporated Self-Employed (ISE)	2,984	2.7	3,955	3.4
Wage-and-Salary Workers with Self-Employment (WSSE)	2,632	2.4	2,539	2.2

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988 and March 1994.

The fastest growing group is the incorporated self-employed, which increased by 33.3 percent from 1979 to 1983, almost as much as the 40 percent increase in the 1976–1979 period.¹⁴ Still, in 1983, the proportion of moonlighters in the work force was larger than the proportion of incorporated self-employed workers—3 percent compared with 2.7 percent, respectively. The incorporated group grew at about the same rate or slightly faster than wage-and-salary workers between 1983 and 1988, about 15 percent. These rates diverged between 1988 and 1994, with ISEs increasing by 32.5 percent, while wage-and-salary workers increased by only 6.5 percent (Table 3.3).¹⁵

The number of paid employees with a side business—WSSEs—more than quadrupled between 1979 and 1983. The depressed state of the economy during that time may have led some wage-and-salary workers whose hours had been reduced to establish a business to supplement their earnings from paid employment. Employers have also become more receptive to purchasing services from outside vendors and independent contractors, a cost-effective means of obtaining labor services given high payroll tax burdens and union-related costs.¹⁶ In contrast to the 1979–1983 trend, the number of WSSEs declined over the entire 1983–1994 period.¹⁷

Characteristics of the Self-Employed

Self-employed and wage-and-salary workers have significantly different characteristics by age, marital status, veteran status, educational attainment, and overall business experience, as well as race and gender.

Age

On the whole, the self-employed are older than wage-and-salary only (WSO) workers. Of full-time workers, more than 41.7 percent of the unincorporated self-employed were between 45 and 64 years old in 1994, compared with just 28.8 percent of wage-and-salary workers (Table 3.4). Of part-time workers, a larger proportion—34.4 percent—of unincorporated self-employed workers are between 45 and 64 years old compared with 20.8 percent of salaried workers without a second job.

¹⁴ *The State of Small Business*, 1986.

¹⁵ Carolyn Looft and Associates, *Changing Characteristics of the Self Employed*.

¹⁶ Whether a worker is an “employee,” or an “independent contractor” has significant payroll cost implications for employers. If a worker is an employee, an employer must comply with the entire range of federal employment laws. Independent contractors, however, are considered self-employed and, therefore, are responsible for paying Social Security taxes and income taxes levied on their earnings.

¹⁷ It is also possible that many wage-and-salary workers with a side business became wage-and-salary workers only (WSO) during this period. This would be the result of an expanding economy creating new jobs, many of which have higher wages. Such a pattern contrasts with the tremendous growth in WSSEs during the 1979–1983 period—which might have counteracted an increase in business failures during this period of deep contraction. See *The State of Small Business*, 1986.

Table 3.4 *Distribution of Employed Nonagricultural Workers by Various Characteristics, March 1994 (Percent)*

	Total Self-Employed* (TSE)		Unincorporated Self-Employed (USE)		Incorporated Self-Employed (ISE)	Wage-and-Salary with Self-Employment (WSSE)	Wage-and-Salary Only (WSO)	
	Total	Full-Time	Full-Time	Part-Time	Full-Time	Full-Time	Full-Time	Part-Time
Age								
16–24	4.96	3.53	2.78	6.26	2.38	7.58	11.14	31.50
25–44	50.06	52.00	51.64	46.63	46.57	61.86	58.79	42.65
45–64	38.65	40.63	41.71	34.44	45.66	29.40	28.79	20.77
65 and Over	6.33	3.83	3.87	12.67	5.40	1.17	1.27	5.09
Gender								
Male	64.18	71.92	69.63	46.71	76.76	70.68	56.50	35.75
Female	35.82	28.08	30.37	53.29	23.24	29.32	43.50	64.25
Race								
White	91.68	90.90	89.25	93.44	92.40	93.19	84.11	85.61
African-American	4.60	4.83	6.05	4.18	2.87	4.50	11.59	10.60
Other	3.72	4.27	4.70	2.39	4.73	2.31	4.30	3.79
Education								
Less than 4 Years of High School	9.39	7.93	10.82	13.70	4.69	4.86	10.04	20.53
4 Years of High School To 3 Years of College	57.48	56.32	59.33	59.42	51.44	55.56	62.74	63.35
4 or More Years of College	33.12	35.76	29.85	26.87	43.87	39.59	27.22	16.12
Marital Status								
Married, Spouse Present	73.41	74.02	72.99	72.12	80.08	67.18	59.50	46.72
Other	26.59	25.98	27.01	27.88	19.92	32.82	40.50	53.28
Veteran Status (Males)								
Veteran								
Vietnam	7.38	8.60	7.75	4.64	10.06	8.70	6.28	2.10
Other	10.98	10.76	11.07	12.04	11.44	8.79	7.31	5.17
Non-Veteran	81.64	80.63	81.18	83.32	78.50	82.51	86.41	92.73
Industry								
Mining	0.27	0.35	0.23	0.00	0.50	0.45	0.72	0.19
Construction	13.37	13.18	16.13	15.20	12.76	5.36	4.69	4.02
Manufacturing	7.97	8.82	4.89	4.84	8.60	20.50	21.67	8.19

Transportation, Communications, and Public Utilities	4.58	4.73	4.67	3.64	3.96	6.17	8.53	4.87
Wholesale Trade	5.10	5.62	4.82	3.03	8.45	3.37	4.14	1.72
Retail Trade	19.01	19.14	19.18	16.17	24.36	10.53	13.62	29.07
Finance, Insurance, and Real Estate Services	7.09	7.18	6.79	6.67	8.28	6.54	7.55	4.60
	42.62	40.97	43.29	50.45	33.09	47.08	39.09	47.33
Occupation								
Executive, Administrative and Managerial	21.63	24.68	19.03	12.61	38.30	18.87	14.45	5.04
Professional, Specialty Technical and Related Support	17.01	16.99	16.10	18.37	14.39	23.79	14.98	12.76
Sales	1.37	1.43	1.10	1.07	0.46	3.92	3.79	3.01
Administrative Support, Including Clerical	20.07	21.08	22.54	17.91	26.19	8.62	10.08	14.17
	7.08	4.64	2.44	8.50	4.81	10.68	16.54	18.52
Service, Excluding Protective Service and Private Household	9.84	7.75	10.97	17.25	3.21	5.86	8.59	23.33
Precision Production, Craft, and Repair	14.93	15.25	19.85	16.98	9.43	11.47	12.02	5.34
Operators, Fabricators, and Laborers	6.99	7.11	7.35	6.67	2.95	13.15	16.54	13.61
Other	1.09	1.07	0.62	0.63	0.27	3.64	3.01	4.21
Hispanic Origin								
Hispanic	5.05	4.85	5.60	5.63	3.73	4.54	9.09	8.61
Non-Hispanic	94.95	95.15	94.40	94.37	96.27	95.46	90.91	91.39

*Total self-employed include the unincorporated self-employed, incorporated self-employed, and wage-and-salary workers with self-employment.

Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1994.

Of the three categories of the self-employed, full-time wage-and-salary workers with a secondary business are substantially younger than either their unincorporated or incorporated self-employed counterparts. This may mean that the transition from paid employment to self-employment begins soon after entry into the work force, but that younger workers may not have the financing or skills to start a business that is their sole source of income.

The age distribution of self-employed and wage-and-salary workers from the March 1988 CPS closely resembles that from the May 1983 CPS.¹⁸ A few minor changes occurred between 1988 and 1994. Among full-time USE workers, the proportion between ages 45 and 64 increased from 37 percent to 42 percent (Tables 3.4 and 3.5). There were similar but smaller changes among wage-and-salary workers. This shift in the age distribution is likely attributable to the aging of the baby boom cohort of workers.

Education

The self-employed as a group are better educated than wage-and-salary workers (Tables 3.4 and 3.5). The education patterns among self-employed and wage-and-salary workers changed little between 1988 and 1994. The highest levels of formal education occur among the ISEs. Well-educated persons are also well represented among WSSEs. The lowest levels of formal education occur among part-time WSO and USE workers. Besides being better educated, the self-employed work more hours per week and more weeks per year than those working only in paid employment.

Marital Status

The self-employed are substantially more likely than wage-and salary workers to be married. Among total full-time self-employed workers, almost three-fourths were married with a spouse present in 1994 (Table 3.4). Among full-time wage-and-salary-only workers, six out of ten were married with spouse present. The marital status patterns changed very little between 1988 and 1994. It is likely that differences in marital status between business owners and paid employees are related to age and gender differences.¹⁹

Veteran Status

Small differences exist between veterans and nonveterans in self-employment status. Both Vietnam veterans and other veterans are slightly more likely to be included among the self-employed than among wage-and-salary workers.

¹⁸ *The State of Small Business*, 1986.

¹⁹ David S. Evans, *Entrepreneurial Choice and Success*, report no. PB85-235943, prepared by CERA Economic Consultants, Inc., for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, May 1985), 38-39. Statistical analysis of 1970 and 1980 Census data found that marital status by itself had little influence on the probability of self-employment.

Again, little change occurred in these patterns between 1988 and 1994 (Tables 3.4 and 3.5).

Industry

The ability of entrepreneurs to exploit opportunities varies significantly by industry, in part because of differences in capital requirements. Construction attracts a disproportionate amount of self-employment, especially among part-time and full-time USE workers and full-time ISE workers.

Self-employment is most common in the services, retail trade, and construction industries and less common in mining, manufacturing, transportation, and public utilities. The incorporated self-employed are more likely to work in wholesale trade than either unincorporated owners or paid workers with a side business; the reverse is true in the service industry (Tables 3.4 and 3.5).

Occupation

The self-employed are widely distributed across occupations in a pattern significantly different from wage-and-salary workers. Only 29.4 percent of full-time WSO workers were classified as managerial or professional in 1994, compared with 41.7 percent of full-time self-employed workers (Table 3.4). A large proportion—more than 38 percent—of full-time ISE workers were in executive, administrative, and managerial occupations.

The self-employed are more likely to be in sales occupations than are wage-and-salary workers, particularly full-time USE and ISE workers. Both full-time and part-time USE workers are prominent in precision production, craft, and repair occupations. Both industry and occupational patterns were stable between 1988 and 1994 (Tables 3.4 and 3.5).

Self-Employment by Ethnic Group

African Americans

African Americans are considerably less likely than the population at large to be self-employed (Table 3.6).²⁰ The percentage of total self-employed workers who are African-American declined between 1983 and 1988, from 5.8 to 4.7 percent. Between 1988 and 1994, however, the African-American share increased again to 5.8 percent (Table 3.7).

The total number of self-employed African Americans rose from 516,000 in 1988 to 706,000 in 1994, after having fallen from 539,000 to 516,000 be-

²⁰ This pattern has been identified in earlier studies. See Sheldon Haber, *A New Perspective on Business Ownership*, report no. PB87-115242, prepared by Simon and Company for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, 1985).

Table 3.5 *Distribution of Employed Nonagricultural Workers by Various Characteristics, March 1988 (Percent)*

	Total Self-Employed* (TSE)		Unincorporated Self-Employed (USE)		Incorporated Self-Employed (ISE)	Wage-and-Salary with Self-Employment (WSSE)	Wage-and-Salary Only (WSO)	
	Total	Full-Time	Full-Time	Part-Time	Full-Time	Full-Time	Full-Time	Part-Time
Age								
16-24	4.29	3.51	3.57	5.40	0.97	6.52	13.62	35.26
25-44	52.97	55.32	55.26	46.58	47.43	65.29	58.98	39.78
45-64	36.73	37.20	36.94	35.20	46.39	26.46	26.15	19.66
65 and Over	6.01	3.97	4.23	12.82	5.21	1.73	1.25	5.30
Gender								
Male	68.22	75.07	72.66	48.60	82.80	71.80	57.34	34.69
Female	31.78	24.93	27.34	51.40	17.20	28.20	42.66	65.31
Race								
White	93.02	92.89	92.61	93.71	94.58	91.53	85.88	86.36
African-American	3.76	3.48	3.68	4.47	1.69	5.16	11.09	10.51
Other	3.23	3.63	3.71	1.82	3.73	3.31	3.0	33.13
Education								
Less than 4 years of High School	11.29	10.00	12.78	16.83	6.39	7.11	12.28	19.23
4 Years of High School to 3 Years of College	55.21	54.58	57.68	55.74	49.32	52.93	61.69	63.69
4 or More Years of College	33.50	35.43	29.54	27.43	44.29	39.96	26.03	17.08
Marital Status								
Married, Spouse Present	74.60	75.97	73.74	72.12	84.31	71.49	60.51	47.93
Other	25.40	24.03	26.26	27.88	15.69	28.51	39.49	52.07
Veteran Status (Males)								
Veteran								
Vietnam	7.44	8.61	8.20	4.28	7.35	11.25	6.97	1.82
Other	16.27	16.79	15.96	15.07	22.64	11.72	9.99	5.66
Non-Veteran	76.29	74.60	75.84	80.65	70.01	77.03	83.03	92.52
Industry								
Mining	0.49	0.50	0.30	0.33	0.68	0.79	0.85	0.28

Manufacturing	7.94	8.57	4.72	4.64	9.48	17.65	24.64	9.05
Transportation,								
Communications,								
and Public Utilities	4.78	5.25	4.06	3.08	4.52	9.27	8.51	4.24
Wholesale Trade	5.29	5.92	4.92	3.04	9.96	3.55	4.50	2.10
Retail Trade	17.63	17.62	17.93	17.69	23.62	9.32	12.99	29.81
Finance, Insurance								
and Real Estate	7.01	7.42	7.40	6.03	7.54	7.36	7.73	5.14
Services	43.18	40.68	43.95	51.69	32.08	42.71	35.33	45.01
Occupation								
Executive,								
Administrative								
and Managerial	21.46	24.19	21.10	12.24	38.75	14.25	13.37	4.69
Professional,								
Specialty	17.69	17.49	15.35	18.45	16.03	24.96	13.80	10.84
Technical and								
Related								
Support	1.25	1.15	0.93	1.27	.40	2.64	3.68	2.78
Sales	20.53	21.52	22.41	18.96	28.11	10.99	9.92	15.20
Administrative								
Support,								
Including								
Clerical	5.70	4.42	2.49	6.01	3.75	10.35	17.44	19.91
Service,								
Excluding Protective								
Service and								
Private Household	10.07	7.92	11.99	17.45	2.18	4.29	7.94	22.07
Precision								
Production,								
Craft, and								
Repair	15.38	15.42	18.21	18.26	8.05	17.23	13.31	5.70
Operators,								
Fabricators,	7.04	6.96	7.08	7.01	2.58	12.09	17.89	14.31
and Laborers	0.88	0.93	0.43	0.35	0.16	3.20	2.66	4.49
Other								
Hispanic Origin								
Hispanic	4.07	4.11	4.77	4.31	3.30	3.36	7.45	6.86
Non-Hispanic	95.93	95.89	95.23	95.69	96.70	96.64	92.55	93.14

*Total self-employed includes the unincorporated self-employed, incorporated self-employed, and wage-and-salary workers with self-employment.

Source: Tabulation by Carolyn Looff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988.

Table 3.6 *Distribution of Employed Nonagricultural Workers by Selected Characteristics, March 1994 (Percent)*

	Total	Females	African Americans
Number of Workers (Thousands)	116,829	55,022	12,205
Unincorporated Self-Employed (USE)	7.6	6.2	3.9
Self-Employed Only (SEO)	(6.3)	(5.1)	(3.0)
Full-Time	(4.1)	(2.5)	(2.1)
Part-Time	(2.2)	(2.6)	(0.9)
Self-Employed with Wage-and-Salary Employment (SEWS)	(1.3)	(1.1)	(0.9)
Wage-and-Salary Workers (WS)	92.3	93.6	96.0
Incorporated Self-Employed (ISE)	(3.4)	(2.1)	(0.9)
Full-Time	(2.7)	(1.3)	(0.7)
Part-Time	(0.7)	(0.8)	(0.1)
Wage-and-Salary Workers Only (WSO)	(86.7)	(89.8)	(94.1)
Full-Time	(64.8)	(59.8)	(71.8)
Part-Time	(22.0)	(30.0)	(22.3)
Wage-and-Salary with Self-Employment (W SSE)	(2.2)	(1.6)	(1.0)
Full-Time	(1.7)	(1.0)	(0.7)
Part-Time	(0.5)	(0.6)	(0.3)
Unpaid Family Workers	0.1	0.2	0.0*
Total Self-Employed (TSE), including the Unincorporated Self-Employed, Incorporated Self-Employed, and Wage-and-Salary Workers with Self-Employment	13.1	10.0	5.8
Full-Time	(9.2)	(5.5)	(4.3)
Part-Time	(3.9)	(4.5)	(1.5)

Note: Numbers in parentheses are subtotals.

* Less than .05 percent.

Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1994.

Table 3.7 *Distribution of African-American Self-Employed Workers in Nonagricultural Industries, March 1988 and March 1994*

	1988		1994	
	Number (Thousands)	Percent of Total Employed African-American	Number (Thousands)	Percent of Total Employed African-American
Total Self-Employed	516	4.69	706	5.79
Unincorporated Self- Employed (USE)	319	2.90	475	3.90
Incorporated Self- Employed (ISE)	53	0.48	107	0.87
Wage-and-Salary with Self- Employment (WSSE)	144	1.31	124	1.01

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988 and March 1994.

tween 1983 and 1988. The increase in African-American self-employment from 1988 to 1994 occurred mainly among full-time USE and ISE workers.

Despite these gains, African Americans continue to be disproportionately underrepresented among the self-employed. The number of African-American wage-and-salary workers with a side business actually declined over the 1988-1994 period. In 1994, African Americans were 10.4 percent of the work force and 10.9 percent of wage-and-salary workers (Table 3.6).²¹

Self-employed African Americans are on average younger than self-employed whites (Table 3.8). The number of unincorporated self-employed African Americans grew by more than 150,000 between 1988 and 1994, and much of this growth occurred among 25- to 44-year-olds. African-American and white self-employed workers tend to have more formal education than WSO workers. Self-employed white workers tend to be better educated than self-employed African-American workers.

The proportion of African-American self-employed workers who are married declined significantly between 1988 and 1994 (Tables 3.8 and 3A.2). Industry differences in self-employment patterns by race also are evident. African Americans and whites gravitate toward self-employment in the construction industry. African Americans, more than whites, tend to be self-employed in transportation, communications, and public utilities and in the services industry.

African Americans are less likely to be self-employed in the managerial, professional, and sales occupations than white workers, but are more likely to be self-employed in service occupations and as operators, fabricators, and laborers.

Hispanic Americans

Hispanic Americans, like African Americans, are less likely to be self-employed than non-Hispanic whites. However, a higher proportion of Hispanic Americans than African Americans are self-employed. More than 5 percent of employed Hispanic Americans are in the unincorporated self-employed group compared with 3.9 percent of African Americans. A similar ratio exists for incorporated self-employed workers, 1.5 percent of whom are Hispanic and 0.9 percent African-American.

Gender Characteristics of the Self-Employed

Men are more likely than women to be self-employed. Men represent 64.2 percent of the total self-employed. However, major changes are under way: between 1988 and 1994, the number of unincorporated self-employed women increased more than five times faster than the number of self-employed men, and more than three times as fast as women wage-and-salary

²¹ Carolyn Loeff and Associates, *Changing Characteristics of the Self-Employed*.

workers. This reflects labor force trends. Between 1982 and 1994, the female labor force grew at a rate more than twice that of the male labor force.²² As a share of all employed women, total self-employed women increased from 8.7 percent to 10.0 percent between 1988 and 1994 (Table 3.9). For men, the self-employed share increased only slightly, from 15.8 percent in 1988 to 15.9 percent in 1994.²³

Significant differences exist in the distribution of male and female self-employed workers by industry. More than 20 percent of male—but fewer than 2 percent of female—unincorporated self-employed workers are in construction industries (Table 3.10). These self-employed women are most represented in services and in retail trade: more than 60 percent are in the service sector, compared with only 35.6 percent of unincorporated self-employed men.

Long hours go hand-in-hand with self-employment. Among all full-time male self-employed workers, almost 55 percent worked 49 or more hours per week in 1994, as did more than 41 percent of full-time female self-employed workers (Table 3.10). Only 28.1 percent of full-time male wage-and-salary-only workers and 15.1 percent of full-time female wage-and-salary workers put in such long hours.

Age and Education

While there are age differences between self-employed and wage-and-salary workers, no appreciable differences exist between men and women (Table 3.10).²⁴

Self-employed and wage-and-salary workers also differ by education level, but the only noticeable gender difference occurs among the unincorporated self-employed.²⁵ Male USE workers tend to have more formal education than female USE workers: this was true in 1988 as well as in 1994 (Tables 3.10 and 3A.3). In 1994, 32.0 percent of men and 24.8 percent of women who operated an unincorporated business on a full-time basis had completed

²² Howard N. Fullerton, Jr., "Employment Outlook: 1994–2005," *Monthly Labor Review* (November 1995), 39.

²³ Figures for men are calculated from labor force and self-employment totals in Tables 3.3, 3.5, 3.8, and 3A.2.

²⁴ Age categories may not be fine enough to catch the real pattern and are an imperfect proxy for work experience. There may be gender, age, generational, and educational differentials, i.e., older women are more likely to be entrepreneurs or self-employed than younger women, but less likely than younger women to have a college education. Older women—who may have dropped out of the labor market for child rearing—are also less likely to have progressive work experience, which is a substitute for education and a basis for self-employment.

²⁵ Research analyzing Census data indicates that for men, there is a strong relationship between self-employment earnings and education. This relationship varies by age. For women, there is a positive relationship between self-employment earnings and education, but it is not strong. David S. Evans, *Entrepreneurial Choice and Success*, report no. PB85–235943, prepared by CERA Economic Consultants for the U.S. Small Business Administration, Office of Advocacy (Springfield, Va.: National Technical Information Service, May 1985).

Table 3.8 *Distribution of Full-Time African-American, White, and Other Workers by Various Characteristics, March 1994 (Percent)*

	African-American			White			Other		
	Total Self-Employed (TSE)	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)	Total Self-Employed (TSE)	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)	Total Self-Employed (TSE)	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)
Age									
16-24	6.92	4.61	15.68	3.36	3.99	16.45	3.39	4.38	15.05
25-44	60.30	57.16	57.91	51.25	48.93	54.01	58.61	60.85	59.97
45-65	29.86	32.77	24.34	41.37	39.67	27.23	37.21	33.98	23.82
Over 65	2.92	5.46	2.08	4.02	7.42	2.32	0.80	0.79	1.15
Education									
Less than 4 Years of High School	14.36	17.75	14.59	7.71	11.64	12.37	5.40	9.04	14.36
4 Yrs High School to 3 Yrs College	60.16	62.60	69.33	56.73	59.60	62.60	43.08	49.24	51.34
4 or More Years of College	25.48	19.65	16.08	35.56	28.76	25.03	51.52	41.71	34.29
Marital Status									
Married, Spouse Present	51.80	49.79	38.32	75.19	74.20	58.58	74.38	68.65	58.01
Other	48.20	50.21	61.68	24.81	25.80	41.42	25.62	31.35	41.99
Number of Children									
Zero	56.61	61.20	55.48	56.83	58.21	56.94	41.18	36.92	52.36
One	21.12	19.53	21.91	16.31	16.29	18.86	23.65	27.64	20.94
Two	11.55	11.64	14.14	17.40	16.16	16.76	23.40	22.46	17.53
Three or More	10.72	7.62	8.47	9.47	9.34	7.44	11.77	12.99	9.17
Major Industry									
Mining	0.00	0.00	0.11	0.39	0.16	0.67	0.00	0.00	0.16
Construction	11.29	15.86	3.58	13.67	16.06	4.68	4.73	9.51	3.90
Manufacturing	3.32	1.59	15.56	9.23	5.05	18.55	6.49	5.33	19.64
Transportation, Communications, and Public Utilities	9.01	9.13	9.30	4.64	4.08	7.38	1.97	2.70	7.39
Wholesale Trade	2.93	2.95	2.04	5.68	4.15	3.74	7.41	6.37	3.26
Retail Trade	12.92	9.87	15.08	18.85	18.21	17.85	32.29	26.80	17.78

and Real Estate Services	4.12 56.41	5.64 54.96	5.78 48.54	7.38 40.17	6.90 45.40	6.91 40.22	6.54 40.56	4.71 44.58	7.31 40.55
Major Occupation									
Executive, Administrative, and Managerial	17.31	11.73	7.48	24.84	16.61	12.78	29.59	25.80	10.66
Professional, Specialty	12.28	12.78	9.85	17.33	17.14	14.91	15.16	17.45	17.25
Technical and Related Support	1.94	1.91	3.40	1.40	1.06	3.58	1.52	0.60	4.24
Sales	15.02	14.87	8.36	21.19	21.09	11.61	25.69	23.83	9.34
Administrative Support, Including Clerical	3.19	1.08	17.63	4.74	4.95	16.93	4.16	2.29	15.89
Service, Excluding Protective Service and Private Household	21.47	24.24	19.32	6.89	12.63	11.31	10.59	2.49	14.48
Precision Production, Craft, and Repair	16.02	20.83	8.53	15.47	18.87	10.69	9.68	14.67	9.11
Operators, Fabricators, and Laborers	11.39	12.55	20.45	7.06	6.97	15.10	3.16	2.56	16.44
Other	1.38	0.00	4.97	1.08	0.68	3.10	0.45	0.32	2.58
Hours Worked in Survey Week									
35–40	40.58	40.83	73.62	34.01	37.18	58.54	38.50	39.40	68.30
41–48	17.21	18.24	11.38	14.55	12.78	17.79	10.91	12.65	12.78
49 or More	42.21	40.94	15.00	51.43	50.04	23.67	50.60	47.95	18.91
Weeks Worked in Previous Year									
1–49	25.79	36.34	26.18	14.59	28.08	22.57	16.06	21.83	22.11
50–52	74.21	63.66	73.82	85.41	71.92	77.43	83.94	78.17	77.89

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1994.

Table 3.9 *Distribution of Women Self-Employed in Nonagricultural Industries, March 1988 and March 1994*

	1988		1994	
	Number (Thousands)	Percent of Total Employed Women	Number (Thousands)	Percent of Total Employed Women
Total Self-Employed	4,363	8.69	5,499	10.01
Unincorporated Self-Employed (USE)	2,841	5.66	3,425	6.24
Incorporated Self-Employed (ISE)	621	1.24	1,169	2.13
Wage-and-Salary Workers with Self-Employment (WSSE)	901	1.80	905	1.65

Source: Tabulation by Carolyn Looff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988 and March 1994.

four or more years of college. Self-employed men are better educated than their wage-and-salary counterparts; the same cannot be said of self-employed women.

Marital Status

Married women are relatively even more likely than married men to be self-employed rather than wage-and-salary workers. More than 70 percent of full-time women business owners are married compared with about 54.5 percent of women wage-and-salary workers.²⁶ The comparable figures for men are 75.6 and 63.3 percent respectively (Table 3.10).

Self-employment appears to offer married women special advantages that are less available in paid employment. One key advantage is probably the ability to work at home (especially in sales and service occupations), which enables women to maintain a business and a household at the same time. For both men and women, there is a slight tendency to be self-employed rather than wage-and-salary workers as the number of children increases.

Industry/Occupation

Proportionally, more women-owned than men-owned businesses are in retail trade and service industries: 78.1 percent of women business owners are employed in these industries, compared with 53.1 percent of men (Table 3.10).

By occupation, the percentages of self-employed women and men in sales/services are 39.9 and 24.5 percent, respectively. Only 3.3 percent of business men are in a service occupation, compared with 19.3 percent of business women. On the other hand, 42.4 percent of business men are in higher paid managerial and professional occupations, compared with 39.9 percent of business women.

Significant differences by gender are evident in occupational groups, both among self-employed and wage-and salary workers. Women in both the self-employed and wage-and-salary groups are much more likely than men to work in administrative support jobs. That is true for the services occupational group, and is especially true for unincorporated self-employed women. Men dominate the precision production, craft, and repair occupational group in both the self-employed and wage-and-salary categories.

Occupational data provide other insights into why a smaller proportion of women than men own businesses. A large proportion of women employees, 28.9 percent, work in clerical occupations, which appear to offer relatively few advantages to working for oneself; these occupations contain only

²⁶ This may be because the self-employed are older than wage-and-salary workers. Other research using Census data indicates that marital and family status has little influence on the probability of self-employment (unincorporated) for men or women. See Evans, *Entrepreneurial Choice*, 37–38.

Table 3.10 *Distribution of Full-Time Male and Female Workers by Various Characteristics, March 1994 (Percent)*

	Male			Female		
	Total Self-Employed (TSE) ¹	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)	Total Self-Employed (TSE) ¹	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)
Age						
16–24	3.30	2.55	10.97	4.14	3.30	11.36
25–44	52.08	52.65	59.48	51.81	49.34	57.91
45–64	40.33	40.68	28.30	41.42	44.06	29.44
Over 65	4.30	4.12	1.26	2.63	3.31	1.30
Education						
Less than 4 Years of High School	8.28	11.36	11.72	7.03	9.58	7.87
4 Years of High School to 3 Years of College	53.57	56.59	60.77	63.36	65.60	65.30
4 or More Years of College	38.15	32.04	27.51	29.61	24.82	26.84
Marital Status						
Married, Spouse Present	75.55	73.15	63.34	70.10	72.61	54.50
Other	24.45	26.85	36.66	29.90	27.39	45.50
Number of Children						
Zero	54.58	56.79	57.25	60.16	58.35	58.90
One	17.06	18.01	17.41	16.31	16.82	20.19
Two	17.92	15.52	16.96	15.99	17.13	15.10
Three or More	10.44	9.68	8.37	7.55	7.70	5.81
Major Industry						
Mining	0.40	0.28	1.10	0.22	0.12	0.22
Construction	17.30	22.46	7.60	2.63	1.61	0.92
Manufacturing	9.93	5.36	26.92	6.00	3.80	14.85
Transportation, Communications, and						

Public Utilities	5.54	6.06	10.89	2.68	1.48	5.45
Wholesale Trade	6.66	6.25	5.27	2.96	1.53	2.68
Retail Trade	16.83	16.95	13.81	25.04	24.29	13.37
Finance, Insurance, and Real Estate Services	7.07 36.27	7.05 35.57	5.23 29.18	7.47 53.01	6.19 60.99	10.55 51.95

Major Occupation

Executive, Administrative, and Managerial	24.86	18.46	14.03	24.24	20.34	15.01
Professional, Specialty	17.51	16.07	12.87	15.68	16.17	17.72
Technical and Related Support	1.63	1.15	3.28	0.90	0.99	4.45
Sales	21.28	22.96	10.37	20.58	21.57	9.70
Administrative Support, Including Clerical Service, Excluding Protective Service and Private Household	1.46	0.58	7.00	12.79	6.69	28.93
Precision Production, Craft, and Repair	3.25	3.66	6.45	19.29	27.74	11.37
Operators, Fabricators, and Laborers	20.13	27.22	19.22	2.74	2.95	2.66
Other	8.53	9.05	22.74	3.47	3.46	8.50
	1.36	0.86	4.05	0.31	0.09	1.66

Hours Worked in Survey Week

35–40	31.18	34.78	54.07	43.12	43.78	69.36
41–48	14.13	12.96	17.84	15.55	13.43	15.51
49 or More	54.69	52.26	28.08	41.33	42.79	15.13

Weeks Worked in Previous Year

1–49	13.53	16.48	14.41	19.46	21.57	17.49
50–52	86.47	83.52	85.59	80.54	78.43	82.51

*Total self-employed includes the unincorporated self-employed, incorporated self-employed, and wage-and-salary workers with self-employment.

Source: Tabulation by Carolyn Looff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1994.

12.8 percent of all self-employed women. On the other hand, only a very small proportion of women are employed in craft occupations in which business ownership is as common as paid employment. The small proportion of women employees and business owners in the crafts may be attributable to a combination of factors, including lack of training and insufficient capital.

Entrepreneurial Income

Income data provide an indicator of the relative success of self-employed and wage-and-salary workers.²⁷ The earnings of self-employed workers differ considerably according to whether the worker is incorporated, unincorporated, or self-employed with wage-and-salary work on the side. The relative differences may explain the different growth patterns in small business compared with wage-and-salary work.

The relative earnings of the different groups have changed little since 1983. Wage-and-salary work generally pays substantially better than self-employment. At the same time, there are significant numbers of the self-employed in high- and low-income classes. Individuals may be especially attracted to self-employment by the income of individual successful entrepreneurs, despite the fact that the unincorporated self-employed, for example, typically earn less than their wage-and-salary counterparts.

The most successful entrepreneurs are incorporated, with median earnings of \$36,000 per year in 1994 (Table 3.11). Some 63 percent earned more than \$30,000 per year in 1994, substantially higher than the 35 percent of the unincorporated self-employed that earned this amount per year.

Wage-and-salary workers without a side business earned \$26,000 per year in 1994, higher than unincorporated self-employed workers but lower than those with incorporated businesses. Wage-and-salary workers with a side business earned only about \$3,000 in the business. However, they tended to have significantly higher salaries than those without such a business, with median incomes of \$30,000 in 1994.

Almost 57 percent of wage-and-salary workers with a side business earned more than \$30,000, higher than USEs, but lower than ISEs. In 1982, relatively more individuals with incomes of \$30,000 or more were incorpo-

²⁷ The business earnings discussed in this section refer to the net income an owner took out of a business, i.e., receipts minus personal expenses incurred in generating these receipts. Any comparison of income between self-employed individuals and wage-and-salary workers requires caution. Income of the self-employed does not include implicit income—such as using the business car for personal travel or the home as a place of work, or feeding or clothing the family from a store owner's own stock. Likewise, the income of wage-and-salary workers does not include employee benefits such as pension and health insurance. Moreover, it is likely that there is significantly more underreporting of self-employment income than of wage-and-salary income, simply because there are more opportunities to subjectively report self-employment income.

Table 3.11 *Distribution of Full-Time Employed Nonagricultural Workers with Full-Time, Full-Year Earnings, March 1994 (Percent)*

	Median Earnings (Dollars)	Less than \$5,000	\$5,000- \$9,999	\$10,000- \$19,000	\$20,000- \$29,999	\$30,000 or More
Unincorporated Self-Employed (USE)						
Business	19,000	22.6	7.9	19.3	15.3	34.8
Business and Wage-and-Salary	20,000	20.8	8.1	19.3	15.5	36.3
Incorporated Self-Employed (ISE)						
Wage-and-Salary	36,000	1.9	2.3	15.4	17.9	62.5
Business and Wage-and-Salary	38,000	1.6	2.2	15.2	17.3	63.7
Unincorporated and Incorporated Self-Employed (USE and ISE)						
Business	26,000	10.9	6.0	18.8	17.0	47.3
Business and Wage-and-Salary	27,000	10.1	5.7	18.6	17.1	48.6
Wage-and-Salary Workers with Self-Employment, (WSSE)						
Wage-and-Salary	30,000	6.7	2.8	15.1	23.6	51.8
Business and Wage-and-Salary	33,000	6.5	2.6	12.3	21.6	56.9
Wage-and-Salary Workers Only (WSO)						
Wage-and-Salary	26,000	0.9	4.5	25.6	26.6	42.4

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1994.

rated or unincorporated self-employed workers than wage-and-salary workers.²⁸ In 1994, this relative situation changed: relatively more ISEs than WSOs, but relatively more WSOs than USEs had earnings of \$30,000 or more (Table 3.11).

At the lower end of the income scale, in 1994, 22.6 percent of the unincorporated self-employed and 1.9 percent of incorporated self-employed workers earned less than \$5,000 from their business, despite working full time and full year. The comparable figure for non-business owners was only 0.9 percent. Even when wage-and-salary earnings and business income are taken into account, the percentage of total self-employed workers earning less than \$5,000 falls only to 16.6 percent. In other words, more than one-sixth of the self-employed earned less than the minimum wage.

The prospective advantages of self-employment must be great enough to induce such a high proportion of individuals to work for so low a return. The self-employed appear to find substantial compensation in implicit income, expectations of higher future income, tax advantages, and nonmonetary benefits, such as opportunity and self-determination. Because of their low earnings, self-employed workers might be expected to leave their self-employment status at a higher rate than wage-and-salary workers leave their current employer. The data from the CPS study, however, cannot be used to determine whether this is the case.²⁹

Earnings of Men and Women

Typically, the unincorporated self-employed earn less than their counterparts in paid employment. However, when men and women business owners (USE and ISE) are compared with their paid counterparts, men owners earn the same as their wage-and-salary counterparts, while women business owners earn 19.1 percent less than women wage-and-salary workers (Table 3.12). The rapid increase in women business owners suggests that women value highly the flexibility in work hours and are willing to accept reduced earnings in exchange.³⁰ In 1994, women business owners earned 59.3 cents for every dollar earned by their male counterparts.³¹ In contrast, women wage-and-salary workers earned 73.3 cents for every dollar of their male counterparts' earnings.

²⁸ *The State of Small Business*, 1986.

²⁹ The unemployment rate tends to be lower for the self-employed than for wage-and-salary workers; however, self-employed earnings more nearly reflect the success of the business than do the earnings of wage-and-salary workers. Rather than give up their businesses and join the ranks of the unemployed, the self-employed are more likely than paid workers to continue working during a recession but take home less income. T. Scott Fain, "Self-Employed Americans: Their Number has Increased," *Monthly Labor Review* (November 1980), 6.

³⁰ Also, the larger proportion of married women among women owners than wage-and-salary workers suggests that self-employment offers advantages to married women that are not available in paid employment. A key advantage is that many businesses, especially in the sales and service occupations, can be conducted in the home. Sheldon Haber, *Business Ownership*, 30.

³¹ *The State of Small Business*, 1986.

Table 3.12 *Distribution of Full-Time Employed Nonagricultural Workers with Full-Time, Full-Year Earnings by Gender, March 1994 (Percent)*

	Median Earnings (Dollars)	Less than \$5,000	\$5,000- \$9,999	\$10,000- \$19,000	\$20,000- \$29,999	\$30,000 or More
Wage-and-Salary Workers Only (WSO)						
Wage-and-Salary	26,000	0.94	4.46	25.61	26.61	42.38
Male	30,000	0.67	3.12	20.15	23.77	52.29
Female	22,000	1.30	6.22	32.82	30.37	29.30
Unincorporated Self-Employed (USE)						
Business and Wage-and-Salary	20,000	20.77	8.14	19.26	15.54	36.29
Male	24,000	15.84	5.68	18.61	17.25	42.61
Female	10,800	32.97	14.22	20.88	11.30	20.63
Unincorporated and Incorporated Self-Employed (USE and ISE)						
Business and Wage-and-Salary	27,000	10.11	5.71	18.56	17.07	48.56
Male	30,000	7.17	3.79	16.08	17.21	55.75
Female	17,800	18.26	11.01	25.46	16.66	28.61

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1994.

Several factors could contribute to the relatively low earnings of women business owners. They are concentrated more than business men in the low-paying service industries and less in the high-paying managerial and professional specialty occupations. Full-time women business owners also work fewer hours per week and fewer weeks per year than their male counterparts.³²

Conclusion

Small businesses play a major role in promoting creativity and entrepreneurship in the American economy and serve as a training ground for the nation's entrepreneurs. The number of self-employed grew substantially between 1970 and 1994. The fastest growing segment of self-employment is the incorporated self-employed, which increased by 32.5 percent between 1988 and 1994.

Characteristics of the self-employed and wage-and-salary workers differ markedly. Compared with wage-and-salary workers, the self-employed are substantially older, better educated and, if male, more likely to be veterans. The number of women entrepreneurs increased dramatically, by more than 10 percent from 1988 to 1994. African-American entrepreneurs have not made similar inroads in self-employment.

Despite their recent gains, women business owners differ substantially from their male counterparts. For example, women are much less likely than men to operate a full-time business, suggesting that many women go into business because of the flexibility and adaptability it offers to combine work and family responsibilities.

The self-employed typically earn less than their counterparts in paid employment; however, incorporated business owners, the most successful group, earn substantially more than paid workers. The fact that about 16.6 percent of all business owners earn less than the minimum wage suggests that many self-employed workers either receive considerable amounts of implicit income or value highly the nonmonetary benefits of self-employment such as independence and flexibility.

³² Differences in labor force attachment, i.e., movement into and out of the labor force between men and women have also been cited as one major reason why women earn less than men. A study analyzing data from the Income Survey Development Program (ISDP) found that work interruptions explain only a small proportion of the earnings differential, however. See Joseph J. Slavo and John M. McNeil, "Lifetime Work Experience and Its Effect on Earnings," *Current Population Reports, Special Studies, Series P-23, No. 136* (Washington, D.C.: U.S. Department of Commerce, Bureau of the Census, June 1984), 5. On the other hand, recent research shows that years of experience explain a significant share of the male-female gap. See June O'Neill, "The Trend in the Male-Female Wage-Gap in the United States," *Journal of Labor Economics* (January 1985), S100-S101.

Appendix: The Data

CPS Data

The Current Population Survey (CPS) is a monthly nationwide Survey of approximately 60,000 households. It is the source of official government statistics on employment and unemployment. An important secondary purpose of the survey is to collect information on demographic characteristics such as age, sex, race, marital status, educational attainment, and family structure. Additional questions are included on a regular basis on such subjects as health, education, income, and previous work experience.

In the past, the CPS made no attempt to distinguish between wage-and-salary workers and those self-employed workers who, because their business was incorporated, paid themselves a wage or salary. The CPS basic questionnaire, however, now asks an explicit question about self-employment, and for workers who identify themselves as self-employed, the survey asks if the business is incorporated. Thus, for the primary work activity, researchers can distinguish among the unincorporated self-employed (USE), the incorporated self-employed (ISE), and wage-and-salary workers only (WSO) for any month.

Because the CPS focuses on workers' primary jobs, the CPS basic questionnaire does not provide complete coverage of all people with self-employment income. Fortunately, each year the March Supplement to the CPS asks workers detailed questions about their previous year's income by source. By matching the May and March CPSs, researchers have been able to identify those individuals whose primary work activity was wage-and-salary employment but who had self-employment income from the previous year (WSSE). Also identifiable are wage-and-salary workers who have no self-employment income (WSO). Because the CPS replaces one-fourth of its sample each month, only half of the sample answers both the May and March supplements. The use of this matched sample allows estimation of both the ISE and WSSE workers, but it does so only by reducing the sample by one-half. Moreover, the Employee Benefit Supplement is irregular, usually occurring only once every four or five years. Thus, the March CPS basic questionnaire is used to distinguish ISE from WSO workers, and the March Supplement is used to identify the WSSE workers. The March CPS allows calculation of the number of USE, ISE, WSSE, and WSO workers annually and allows for the maximum sample size for WSSE workers.

While the use of the March Supplement to the CPS does identify those WSSE workers who earned some income from self-employment in the previous year, the data set has limitations for examining the WSSE. The CPS provides no information about the industry, occupation, hours of work, number of employees, or legal form of ownership. In addition, the fact that the data cover income from the previous year means there is no complete count of those who are currently engaged in self-employment. To see why, consider the following hypothetical example using the March 1993 CPS. Suppose one worker was self-employed for the months of January through March 1992, but then accepted a wage-and-salary position beginning in April 1992. Upon accepting the wage-and-salary job, this worker closed his business. A second worker was employed at a wage-and-salary job for all of 1992, but for the months of January through March 1992, also attempted to start a business. This business

failed in April 1992, and the second worker's sole source of income for the rest of the year was her wage-and-salary job. A third worker had a primary job as wage-and-salary worker in 1992, but he and his spouse owned a business that earned income for the entire year. In each of these cases the CPS implies that the worker is a WSSE. The first worker, however, is clearly a former self-employed worker (either an ISE or USE worker) who is currently a WSO worker. The third worker is a WSSE worker. The CPS can only provide an estimate of those workers who had any self-employment in the previous year.

Survey of Income and Program Participation

A complement to the information in the CPS is the Survey of Income and Program Participation (SIPP) data set. The SIPP is a longitudinal survey designed to provide detailed information on the economic situation of households and individuals. Each SIPP panel contains approximately 20,000 households. The survey has three basic elements. The first records basic social and demographic characteristics for each person in the household. The second has questions on labor force activity, types and amounts of income, participation in various cash and noncash benefit programs, attendance in post-secondary schools, private health insurance coverage, and public housing and other public assistance. The third element consists of various topical modules that change from one wave to the next.

While the SIPP sample is not as large or as timely as the CPS, it does contain certain data that make it ideal to augment the CPS data, especially for information about the WSSE workers. Unlike the CPS, SIPP asks all adult respondents about their self-employment activities during the month. As a result, even for WSO workers, the SIPP provides detailed information about self-employment. The SIPP asks for information about the industry, occupation, hours of work, whether the business is incorporated or not and if it is not, whether the business is a sole proprietorship or a partnership. If the business is not incorporated, SIPP asks if another family member has any ownership rights in the business. In addition, SIPP provides some detailed information about the earnings from the business and asks if the businessperson expects to have gross sales of \$1,000 or more in the next 12 months. Because SIPP asks these questions of all workers, not just individuals who identify their primary job as self-employment, SIPP allows a more detailed study of WSSE workers. Since SIPP provides information about the two largest self-employment businesses of a worker, it also covers owners of multiple businesses. Wave 1 of the 1993 SIPP matches closely with the period covered by the March 1994 CPS data.

Worker characteristics and worker categories in Table 3A.6 correspond to those in Table 3.4. The two tables can be compared for differences. There are no appreciable differences in the age or gender patterns between the SIPP and CPS. Only slight differences show up in education and marital status patterns. Some minor differences show up in the industry and occupational breakdowns between the CPS and SIPP, but the discrepancies are relatively minor. However, the CPS indicates a higher degree of self-employment among African-American workers than does the SIPP. The same result occurs for wage-and-salary-only workers in the CPS versus the SIPP.

In summary, the CPS is the primary data source for this chapter. The use of future March CPSs will allow updating of the self-employment estimates on an annual basis.

Table 3A.1 *Distribution of Employed Nonagricultural Workers by Selected Characteristics, March 1988 (Percent)*

	Total	Females	African Americans
Number of Workers (Thousands)	109,551	50,400	10,992
Unincorporated Self-Employed (USE)	7.4	5.6	2.9
Self-Employed Only (SEO)	(6.2)	(4.6)	(2.1)
Full-Time	(4.3)	(2.5)	(1.4)
Part-Time	(1.8)	(2.0)	(0.7)
Self-Employed with Wage-and-Salary Employment (SEWS)	(1.2)	(1.0)	(0.7)
Wage-and-Salary Workers (WS)	92.4	93.9	97.1
Incorporated Self-Employed (ISE)	(2.7)	(1.2)	(0.5)
Full-Time	(2.4)	(0.9)	(0.4)
Part-Time	(0.4)	(0.3)	(0.1)
Wage-and-Salary Workers Only (WSO)	(87.4)	(90.9)	(95.3)
Full-Time	(67.0)	(62.1)	(74.0)
Part-Time	(20.3)	(28.8)	(21.3)
Wage-and-Salary with Self-Employment (WSSE)	(2.4)	(1.8)	(1.3)
Full-Time	(1.9)	(1.2)	(1.0)
Part-Time	(0.5)	(0.6)	(0.4)
Unpaid Family Workers	0.2	0.4	0.0*
Total Self-Employed (TSE), including the Unincorporated Self-Employed, Incorporated Self-Employed, and Wage-and-Salary Workers with Self-Employment	12.5	8.7	4.7
Full-Time	(9.3)	(5.0)	(3.2)
Part-Time	(3.2)	(3.6)	(1.5)

Note: Numbers in parentheses are subtotals.

* Less than .05 percent.

Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988.

Table 3A.2 *Distribution of Full-Time African-American, White, and Other Workers by Various Characteristics, March 1988 (Percent)*

	African-American			White			Other		
	Total Self-Employed (TSE)	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)	Total Self-Employed (TSE)	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)	Total Self-Employed (TSE)	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)
Age									
16-24	5.93	7.19	16.91	3.47	4.10	18.93	2.17	1.95	17.37
25-44	59.10	46.14	57.00	55.19	52.61	54.08	54.93	57.02	57.69
45-65	30.51	39.16	24.05	37.27	36.17	24.78	41.73	39.26	22.92
Over 65	4.46	7.51	2.04	4.06	7.13	2.22	1.16	1.77	2.02
Education									
Less than 4 Years of High School	17.09	23.34	19.61	9.76	13.71	13.23	9.34	13.45	12.22
4 Years High School to 3 Years College	56.29	56.01	64.88	54.92	57.41	62.28	44.31	47.85	48.95
4 or More Years of College	26.61	20.65	15.51	35.33	28.89	24.49	46.35	38.70	38.83
Marital Status									
Married, Spouse Present	64.79	58.96	42.82	76.16	73.49	59.40	81.82	83.08	59.36
Other	35.21	41.04	57.18	23.84	26.51	40.60	18.18	16.92	40.64
Number of Children									
Zero	50.18	56.62	53.34	54.01	57.68	56.04	46.77	47.36	49.91
One	27.38	23.40	22.81	18.13	16.78	20.23	24.96	24.69	24.92
Two	15.75	15.81	14.68	19.00	17.05	16.50	17.20	17.68	16.08
Three or More	6.69	4.16	9.18	8.86	8.49	7.23	11.08	10.27	9.08
Major Industry									
Mining	0.00	0.00	0.25	0.54	0.34	0.78	0.00	0.00	0.37
Construction	9.46	9.94	3.74	14.49	16.20	5.48	7.01	7.68	2.78
Manufacturing	6.80	0.99	19.46	8.63	4.78	21.19	8.68	6.79	21.62
Transportation, Communications, and Public Utilities	11.55	8.34	9.76	5.08	3.59	7.26	3.47	2.83	6.53
Wholesale Trade	1.88	1.30	2.56	6.01	4.35	4.16	7.47	7.22	2.76
Retail Trade	8.37	8.08	13.51	17.61	17.84	17.23	26.64	30.48	19.88

Finance, Insurance, and Real Estate Services	6.33 55.61	4.78 66.57	5.71 44.99	7.54 40.10	7.17 45.73	7.28 36.62	5.65 41.07	3.38 41.62	7.79 38.26
Major Occupation									
Executive, Administrative, and Managerial	21.41	21.86	6.39	24.29	18.10	12.00	24.43	18.75	10.77
Professional, Specialty	9.06	7.98	9.93	17.69	16.68	13.51	20.49	16.67	16.90
Technical and Related Support	1.69	0.91	2.91	1.14	1.07	3.48	0.89	0.38	5.26
Sales Administrative Support, Including Clerical	10.14	9.06	6.68	21.87	21.68	11.75	23.60	25.43	10.18
Service, Excluding Protective Service and Private Household	7.14	4.09	18.49	4.32	3.63	17.98	4.31	2.65	17.30
Precision Production, Craft, and Repair Operators, Fabricators, and Laborers	22.80	33.07	19.18	7.27	12.82	10.15	10.25	16.73	13.08
Other	11.17	11.57	8.49	15.85	18.72	12.04	8.63	11.76	8.40
	15.96	11.20	23.84	6.60	6.86	16.24	7.41	7.63	15.55
	0.62	0.26	5.09	0.98	0.43	2.85	0.00	0.00	2.55
Hours Worked in Survey Week									
35–40	43.59	49.37	76.71	36.65	38.77	63.01	38.18	35.73	72.97
41–48	14.02	9.91	10.34	12.74	11.81	15.06	7.77	10.63	10.57
49 or More	42.39	40.71	12.95	50.60	49.42	21.93	4.05	53.64	16.46
Weeks Worked in Previous Year									
1–49	26.49	39.09	26.95	15.34	27.64	24.17	16.53	23.96	27.13
50–52	73.51	60.91	73.05	86.44	72.36	75.83	83.47	76.04	72.87

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988.

Table 3A.3 *Distribution of Full-Time Male and Female Workers by Various Characteristics, March 1988 (Percent)*

	Male			Female		
	Total Self-Employed (TSE) ¹	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)	Total Self-Employed (TSE) ¹	Unincorporated Self-Employed (USE)	Wage-and-Salary Only (WSO)
Age						
16-24	3.26	3.25	12.77	4.26	4.40	14.77
25-44	54.64	54.89	59.17	57.38	56.25	58.71
45-64	37.90	37.33	26.80	35.10	35.90	25.29
Over 65	4.20	4.53	1.26	3.27	3.45	1.23
Education						
Less than 4 Years of High School	10.07	12.75	13.89	9.76	12.88	10.12
4 Years of High School to 3 Years of College	52.18	54.43	58.83	61.80	66.30	65.54
4 or More Years of College	37.74	32.82	27.28	28.44	20.82	24.34
Marital Status						
Married, Spouse Present	78.43	75.44	65.47	68.56	69.22	53.85
Other	21.57	24.56	34.53	31.44	30.78	46.15
Number of Children						
Zero	52.77	54.91	55.81	56.16	53.14	58.77
One	18.21	17.96	19.21	20.19	20.90	21.30
Two	19.39	18.66	16.80	17.09	18.41	14.48
Three or More	9.63	8.47	8.19	6.56	7.54	5.45
Major Industry						
Mining	0.60	.37	1.19	0.19	0.14	0.38
Construction	18.00	22.21	8.73	2.12	2.11	1.06
Manufacturing	9.56	5.29	29.36	5.61	3.18	18.29
Transportation, Communications, and						

Public Utilities	5.98	5.11	10.90	3.05	1.27	5.29
Wholesale Trade	6.80	5.96	5.76	3.27	2.16	2.81
Retail Trade	16.15	15.56	12.40	22.03	24.23	13.79
Finance, Insurance, and Real Estate Services	7.03 35.87	7.21 38.29	4.98 26.68	8.60 55.14	7.90 59.01	11.43 46.97
Major Occupation						
Executive, Administrative and Managerial	26.05	23.19	13.61	18.62	15.56	13.06
Professional, Specialty	17.82	16.77	12.38	16.49	11.58	15.71
Technical and Related Support	1.19	1.05	3.57	1.01	0.61	3.82
Sales	21.93	22.37	10.03	20.30	22.51	9.76
Administrative Support, Including Clerical Service, Excluding Protective Service and Private Household	1.13	0.51	6.49	14.31	7.76	32.15
Precision Production, Craft, and Repair Operators, Fabricators, and Laborers	3.05	3.50	5.75	22.58	34.57	10.87
Other	19.63	23.76	21.19	2.76	3.45	2.71
	8.12	8.32	23.33	3.45	3.78	10.57
	1.08	0.53	3.64	0.48	0.17	1.35
Hours Worked in Survey Week						
35–40	33.75	36.57	58.00	46.58	45.57	74.06
41–48	12.24	11.54	15.41	13.69	12.11	13.04
49 or More	54.01	51.89	26.59	39.73	42.31	12.90
Weeks Worked in Previous Year						
1–49	13.11	16.26	15.70	23.78	26.91	19.81
50–52	86.89	83.74	84.30	76.22	73.09	80.191

*Total self-employed includes the unincorporated self-employed, incorporated self-employed, and wage-and-salary workers with self-employment.
Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988.

Table 3A.4 *Distribution of Full-Time Employed Nonagricultural Workers with Full-Time, Full-Year Earnings, March 1988 (Percent)*

	Median Earnings (Dollars)	Less than \$5,000	\$5,000- \$9,999	\$10,000- \$19,000	\$20,000- \$29,999	\$30,000 or More
Unincorporated Self-Employed (USE)						
Business	17,000	20.1	9.7	23.1	17.5	29.6
Business and Wage-and-Salary	17,500	18.6	9.8	23.7	17.6	30.3
Incorporated Self-Employed (ISE)						
Wage-and-Salary	31,000	1.4	5.4	17.0	18.8	57.4
Business and Wage-and-Salary	32,000	1.3	5.1	16.7	18.1	58.8
Unincorporated and Incorporated Self-Employed (USE and ISE)						
Business	23,000	9.8	8.4	22.3	19.1	40.4
Business and Wage-and-Salary	24,000	9.2	8.2	22.5	18.7	41.5
Wage-and-Salary Workers with Self-Employment (WSSE)						
Wage-and-Salary	24,000	9.9	5.8	22.5	25.1	36.8
Business and Wage-and-Salary	26,000	8.9	5.2	20.5	23.4	41.9
Wage-and-Salary Workers Only (WSO)						
Wage-and-Salary	21,000	1.1	8.0	34.2	27.4	29.3

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988.

Table 3A.5 *Distribution of Full-Time Employed Nonagricultural Workers with Full-Time, Full-Year Earnings by Gender, March 1988 (Percent)*

	Median Earnings (Dollars)	Less than \$5,000	\$5,000- \$9,999	\$10,000- \$19,000	\$20,000- \$29,999	\$30,000 or More
Wage-and-Salary Workers Only (WSO)						
Wage-and-Salary	21,000	1.06	7.99	34.22	27.38	29.35
Male	26,000	0.91	5.06	25.01	28.07	40.96
Female	17,000	1.27	12.09	47.09	26.42	13.13
Unincorporated Self-Employed (USE)						
Business and Wage-and-Salary	17,500	18.62	9.79	23.74	17.58	30.27
Male	20,000	14.20	7.94	22.23	19.21	36.42
Female	9,800	32.51	15.61	28.49	12.43	10.96
Unincorporated and Incorporated Self-Employed (USE and ISE)						
Business and Wage-and-Salary	24,000	9.21	8.17	22.46	18.68	41.48
Male	27,000	6.36	6.02	19.27	19.91	48.43
Female	12,800	19.70	16.08	34.20	14.13	15.88

Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988.

Table 3A.6 *Distribution of Employed Nonagricultural Workers by Various Characteristics, 1993 SIPP Wave 1 (Percent)*

	Total Self-Employed ^a	Self-Employed Only	Wage-and-Salary Only	Wage-and-Salary with Self-Employment	Unincorporated Self-Employed	Incorporated Self-Employed	Incorporated, Status Missing
Full Time	75.26	73.73	79.79	86.10	72.50	88.83	68.04
Part Time	24.74	26.27	20.21	13.90	27.50	11.17	31.96
Age							
16–24	3.92	3.54	18.48	6.65	4.08	2.38	5.57
25–44	51.01	49.34	55.63	62.84	51.43	50.18	50.15
45–64	38.42	39.70	23.78	29.31	38.01	41.03	36.36
Over 65	6.65	7.42	2.10	1.21	6.48	6.41	7.92
Gender							
Male	66.59	67.25	54.10	61.93	65.68	82.23	46.33
Female	33.41	32.75	45.90	38.07	34.32	17.77	53.67
Race							
White	92.45	92.45	87.45	92.45	92.29	94.32	90.32
African-American	3.21	3.07	8.65	4.23	3.41	2.56	3.23
Other	4.33	4.48	3.90	3.32	4.30	3.11	6.45
Education							
Less than 4 Years of High School	12.18	12.88	15.86	7.25	13.92	6.41	12.32
4 Years of High School to 3 Years of College	55.64	55.74	63.73	54.98	56.40	49.82	61.00
4 or More Years of College	32.17	31.39	20.41	37.76	29.68	43.77	26.69
Marital Status							
Married, Spouse Present	76.23	76.80	58.40	72.21	73.62	81.50	81.52
Other	23.77	23.20	41.60	27.79	26.38	18.50	18.48

Veteran							
Veteran	20.22	20.90	12.73	15.41	19.68	26.19	13.49
Non-Veteran	79.78	79.10	87.27	84.59	80.32	73.81	86.51
Major Industry							
Mining	0.19	0.21	0.82	0.00	0.00	0.73	0.29
Construction	13.27	14.88	5.70	1.81	14.65	12.09	7.92
Manufacturing	6.80	6.99	24.65	5.44	6.09	8.61	7.62
Transportation	4.52	4.52	7.42	4.53	4.30	6.23	2.93
Wholesale Trade	4.97	5.20	5.54	3.32	3.35	10.62	4.40
Retail Trade	18.54	18.76	22.28	16.92	15.04	20.70	33.43
Finance, Insurance, and Real Estate Services	7.81 43.91	7.68 41.75	8.15 25.45	8.76 59.21	8.27 48.30	8.97 32.05	3.52 39.88
Major Occupation							
Executive, Administrative and Managerial	27.35	30.49	12.49	5.14	22.53	45.42	23.75
Professional, Specialty	15.88	15.69	8.96	17.22	17.83	12.45	11.14
Technical	1.08	0.60	4.23	4.53	1.12	1.28	0.59
Sales	20.81	21.02	14.48	19.34	19.34	23.99	23.46
Administrative Support, Including Clerical	5.23	4.09	15.78	13.29	4.02	4.76	12.32
Service, Excluding Protective Service and Private Household	11.29	11.00	12.33	13.29	13.86	2.38	12.02
Precision Production, Craft, and Repair Operators	16.78 1.57	16.89 0.21	12.81 18.92	16.01 11.18	19.56 1.73	9.52 0.18	13.78 2.93

Source: Tabulation by Carolyn Looft & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Survey of Income and Program Participation*, 1993 Wave 1.

Table 3A.7 *Nonagricultural Employment by Class of Worker and SBA Region, 1988 and 1994*

Region	Wage-and-Salary Only (Thousands)	Self-Employed (Thousands)			Total Employed (Thousands)
		Unincorporated Self-Employed	Incorporated Self-Employed	Wage-and-Salary Self-Employed	
United States					
1988	95,600	8,112	2,984	2,632	109,600
1994	101,300	8,856	3,955	2,539	116,800
Region I					
1988	5,711	442	213	144	6,526
1994	5,527	493	268	124	6,419
Region II					
1988	10,410	718	393	173	11,720
1994	10,070	809	504	147	11,540
Region III					
1988	10,370	776	245	249	11,660
1994	10,730	817	390	247	12,200
Region IV					
1988	16,960	1,333	545	435	19,310
1994	18,310	1,399	781	373	20,880
Region V					

1988	18,230	1,415	515	489	20,680
1994	19,790	1,328	720	503	22,360
Region VI					
1988	10,090	950	345	313	11,740
1994	11,170	1,109	322	302	12,920
Region VII					
1988	4,673	435	112	187	5,419
1994	4,733	453	183	154	5,530
Region VIII					
1988	2,725	321	121	123	3,299
1994	3,241	353	137	110	3,846
Region IX					
1988	13,210	1,356	379	375	15,360
1994	14,000	1,615	504	403	16,550
Region X					
1988	3,221	367	117	144	3,859
1994	3,785	480	147	177	4,591

Source: Tabulation by Carolyn Loeff & Associates of unpublished data from the U.S. Department of Commerce, Bureau of the Census, *Current Population Survey*, March 1988 and March 1994.

Table 3A.8 *Change in Employment by Class of Worker and State, 1988–1993*
(Thousands)

State	Wage-and-Salary ¹	Self-Employed ²	Total	Employed
United States				
1988	84,808	8,520		93,328
1993	87,967	9,065		97,032
Percent Change	–3.7	6.4		4.0
Region I				
Connecticut				
1988	1,358	118		1,476
1993	1,335	123		1,458
Percent Change	–1.7	4.2		–1.2
Maine				
1988	424	59		483
1993	422	62		484
Percent Change	–0.5	5.1		0.2
Massachusetts				
1988	2,422	185		2,607
1993	2,343	196		2,539
Percent Change	3.3	5.9		2.6
New Hampshire				
1988	463	54		517
1993	452	46		458
Percent Change	–2.4	–14.8		–11.4
Rhode Island				
1988	409	27		436
1993	373	32		405
Percent Change	–8.8	18.5		–7.1
Vermont				
1988	207	31		238
1993	211	34		245
Percent Change	1.9	9.7		2.9
Region II				
New Jersey				
1988	3,003	218		3,221
1993	2,892	212		3,104
Percent Change	–3.7	–2.8		–3.6
New York				
1988	6,095	565		6,660
1993	5,775	565		6,340
Percent Change	–5.3	0.0		–4.8
Region III				
Delaware				
1988	269	15		284
1993	282	17		299
Percent Change	4.8	13.3		5.3
District of Columbia				
1988	183	19		202
1993	169	18		187
Percent Change	–7.7	–5.3		–7.4
Maryland				
1988	1,616	129		1,745
1993	1,698	161		1,859
Percent Change	5.1	24.8		6.5

Table 3A.8 *Change in Employment by Class of Worker and State, 1988–1993 (Thousands)—Continued*

State	Wage-and-Salary ¹	Self-Employed ²	Total	Employed
Pennsylvania				
1988	4,295	383		4,678
1993	4,318	361		4,671
Percent Change	0.5	−5.7		−0.1
Virginia				
1988	2,104	176		2,280
1993	2,310	196		2,506
Percent Change	10.0	11.4		9.9
West Virginia				
1988	471	48		519
1993	506	41		547
Percent Change	7.4	−14.6		5.4
Region IV				
Alabama				
1988	1,225	128		1,353
1993	1,364	137		1,501
Percent Change	12.4	7.0		10.9
Florida				
1988	4,380	428		4,808
1993	4,588	428		5,016
Percent Change	4.7	0.0		4.3
Georgia				
1988	2,283	187		2,470
1993	2,363	237		2,600
Percent Change	3.5	26.7		5.3
Kentucky				
1988	1,146	127		1,273
1993	1,211	148		1,359
Percent Change	5.7	16.5		6.8
Mississippi				
1988	734	82		816
1993	801	86		887
Percent Change	9.1	4.9		8.7
North Carolina				
1988	2,470	210		2,680
1993	2,538	235		2,773
Percent Change	2.8	11.9		3.5
South Carolina				
1988	1,183	109		1,292
1993	1,258	111		1,369
Percent Change	6.3	1.8		6.0
Tennessee				
1988	1,636	181		1,817
1993	1,757	188		1,945
Percent Change	7.4	3.9		7.0
Region V				
Illinois				
1988	4,170	331		4,501
1993	4,295	350		4,645
Percent Change	3.0	5.7		3.2
Indiana				
1988	2,034	183		2,217
1993	2,158	179		2,337
Percent Change	6.1	−2.2		5.4

Table 3A.8 *Change in Employment by Class of Worker and State, 1988–1993*
(Thousands)—Continued

State	Wage-and-Salary ¹	Self-Employed ²	Total	Employed
Michigan				
1988	3,276	249		3,525
1993	3,390	232		3,622
Percent Change	3.5	−6.8		2.8
Minnesota				
1988	1,575	167		1,742
1993	1,672	177		1,849
Percent Change	6.2	6.0		6.1
Ohio				
1988	3,887	288		4,175
1993	3,996	282		4,278
Percent Change	2.8	−2.1		2.5
Wisconsin				
1988	1,800	181		1,981
1993	1,927	161		2,088
Percent Change	7.1	−11.0		5.4
Region VI				
Arkansas				
1988	723	86		809
1993	785	90		875
Percent Change	8.6	4.6		8.2
Louisiana				
1988	1,241	109		1,350
1993	1,214	134		1,348
Percent Change	−2.2	22.9		−0.1
New Mexico				
1988	378	70		448
1993	442	79		521
Percent Change	16.9	12.9		16.3
Oklahoma				
1988	969	142		1,111
1993	953	135		1,088
Percent Change	−1.4	−4.9		−2.1
Texas				
1988	5,558	601		6,159
1993	6,131	639		6,770
Percent Change	10.3	6.3		9.9
1988	1,575	167		1,742
Region VII				
Iowa				
1988	948	111		1,059
1993	1,018	113		1,131
Percent Change	7.4	1.8		6.8
Kansas				
1988	839	92		931
1993	869	95		964
Percent Change	3.6	3.3		3.5
Missouri				
1988	1,815	185		2,000
1993	1,870	175		2,045
Percent Change	3.0	5.4		2.3

Table 3A.8 *Change in Employment by Class of Worker and State, 1988–1993*
(Thousands)—Continued

State	Wage-and-Salary ¹	Self-Employed ²	Total	Employed
Nebraska				
1988	531	57		588
1993	566	63		629
Percent Change	6.6	10.5		7.0
Region VIII				
Colorado				
1988	1,141	137		1,278
1993	1,326	154		1,480
Percent Change	16.5	12.4		15.8
Montana				
1988	210	43		253
1993	228	46		274
Percent Change	8.6	7.0		8.3
North Dakota				
1988	181	28		209
1993	183	20		203
Percent Change	1.1	–28.6		–2.9
South Dakota				
1988	196	36		232
1993	217	27		244
Percent Change	10.7	–25.0		5.2
Utah				
1988	486	63		549
1993	611	61		672
Percent Change	25.7	–3.2		22.4
Wyoming				
1988	128	22		150
1993	141	18		159
Percent Change	10.2	–18.2		6.0
Region IX				
Arizona				
1988	1,132	140		1,272
1993	1,217	151		1,368
Percent Change	7.5	7.9		7.5
California				
1988	9,598	1,240		10,838
1993	9,639	1,497		11,136
Percent Change	0.4	20.7		2.7
Hawaii				
1988	336	39		375
1993	389	38		427
Percent Change	15.8	–2.6		13.9
Nevada				
1988	440	39		479
1993	540	47		587
Percent Change	22.7	20.5		22.5
Region X				
Alaska				
1988	128	27		155
1993	167	28		195
Percent Change	30.5	3.7		25.8

Table 3A.8 *Change in Employment by Class of Worker and State, 1988–1993 (Thousands)—Continued*

State	Wage-and-Salary ¹	Self-Employed ²	Total	Employed
Idaho				
1988	210	41		251
1993	342	49		391
Percent Change	62.9	19.5		55.8
Oregon				
1988	921	147		1,068
1993	996	155		1,151
Percent Change	8.1	5.4		7.8
Washington				
1988	1,497	187		1,684
1993	1,720	230		1,958
Percent Change	14.9	27.3		16.3

¹Private non-agricultural wage-and-salary workers.

²Nonfarm self-employed. Does not include the incorporated self-employed.

Source: Adapted by the U.S. Small Business Administration, Office of Advocacy, from U.S. Department of Labor, Bureau of Labor Statistics, *Current Population Survey*.